

Calendar No. 161

103D CONGRESS
1ST SESSION

S. 422

[Report No. 103-109]

A BILL

To amend the Securities Exchange Act of 1934 to ensure the efficient and fair operation of the government securities market, in order to protect investors and facilitate government borrowing at the lowest possible cost to taxpayers, and to prevent false and misleading statements in connection with offerings of government securities.

JULY 27 (legislative day, JUNE 30), 1993
Reported with an amendment

Calendar No. 161

103^D CONGRESS
1ST SESSION

S. 422

[Report No. 103-109]

To amend the Securities Exchange Act of 1934 to ensure the efficient and fair operation of the government securities market, in order to protect investors and facilitate government borrowing at the lowest possible cost to taxpayers, and to prevent false and misleading statements in connection with offerings of government securities.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24 (legislative day, JANUARY 5), 1993

Mr. DODD (for himself, Mr. RIEGLE, Mr. D'AMATO, Mr. SHELBY, Mr. KERRY, Mr. PRYOR, and Mrs. MURRAY) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

JULY 27 (legislative day, JUNE 30), 1993

Reported by Mr. RIEGLE, with an amendment

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend the Securities Exchange Act of 1934 to ensure the efficient and fair operation of the government securities market, in order to protect investors and facilitate government borrowing at the lowest possible cost to taxpayers, and to prevent false and misleading statements in connection with offerings of government securities.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Government Securities
5 Act Amendments of 1993”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds that—

8 (1) the liquid and efficient operation of the gov-
9 ernment securities market is essential to facilitate
10 government borrowing at the lowest possible cost to
11 taxpayers;

12 (2) the fair and honest treatment of investors
13 will strengthen the integrity and liquidity of the gov-
14 ernment securities market;

15 (3) rules promulgated by the Secretary of the
16 Treasury pursuant to the Government Securities Act
17 of 1986 have worked well to protect investors from
18 unregulated dealers and maintain the efficiency of
19 the government securities market; and

20 (4) extending the authority of the Secretary
21 and providing new authority will ensure the contin-
22 ued strength of the government securities market.

1 **SEC. 3. EXTENSION OF TREASURY RULEMAKING AUTHOR-**
 2 **ITY.**

3 Section 15C of the Securities Exchange Act of 1934
 4 (15 U.S.C. 78o-5) is amended by striking subsection (g).

5 **SEC. 4. SALES PRACTICE RULEMAKING AUTHORITY.**

6 (a) RULES FOR FINANCIAL INSTITUTIONS.—Section
 7 15C(b) of the Securities Exchange Act of 1934 (15 U.S.C.
 8 78o-5(b)) is amended—

9 (1) by redesignating paragraphs (3), (4), (5),
 10 and (6) as paragraphs (4), (5), (6), and (7), respec-
 11 tively; and

12 (2) by inserting after paragraph (2) the follow-
 13 ing new paragraph:

14 “(3)(A) With respect to any financial institution that
 15 has filed notice as a government securities broker or gov-
 16 ernment securities dealer or that is required to file notice
 17 under subsection (a)(1)(B), the appropriate regulatory
 18 agency for such government securities broker or govern-
 19 ment securities dealer may issue such rules and regula-
 20 tions with respect to transactions in government securities
 21 as may be necessary to prevent fraudulent and manipula-
 22 tive acts and practices and to promote just and equitable
 23 principles of trade, if the Secretary has not determined
 24 that the rule or regulation, if implemented would, or as
 25 applied does—

1 “(i) adversely affect the liquidity or efficiency of
2 the market for government securities; or

3 “(ii) impose any burden on competition not nec-
4 essary or appropriate in furtherance of the purposes
5 of this section.

6 “(B) The appropriate regulatory agency shall consult
7 with and consider the views of the Secretary prior to ap-
8 proving or amending a rule or regulation under this para-
9 graph, except where the appropriate regulatory agency de-
10 termines that an emergency exists requiring expeditious
11 and summary action and publishes its reasons therefor.
12 If the Secretary comments in writing to the appropriate
13 regulatory agency on a proposed rule or regulation that
14 has been published for comment, the appropriate regu-
15 latory agency shall respond in writing to such written com-
16 ment before approving the proposed rule or regulation.

17 “(C) In promulgating rules under this section, the ap-
18 propriate regulatory agency shall consider the sufficiency
19 and appropriateness of then existing laws and rules appli-
20 cable to government securities brokers, government securi-
21 ties dealers, and persons associated with government secu-
22 rities brokers and government securities dealers.”.

23 (b) RULES BY REGISTERED SECURITIES ASSOCIA-
24 TIONS.—Section 15A(f)(2) of the Securities Exchange Act
25 of 1934 (15 U.S.C. 78o–3(f)(2)) is amended—

1 (1) by striking “and” at the end of subpara-
2 graph (E); and

3 (2) by striking the period at the end of sub-
4 paragraph (F) and inserting “, and (G) with respect
5 to transactions in government securities, to prevent
6 fraudulent and manipulative acts and practices and
7 to promote just and equitable principles of trade.”.

8 (c) OVERSIGHT OF REGISTERED SECURITIES ASSO-
9 CIATIONS.—Section 19 of the Securities Exchange Act of
10 1934 (15 U.S.C. 78s) is amended—

11 (1) in subsection (b), by adding at the end the
12 following new paragraphs:

13 “(5) The Commission shall consult with and consider
14 the views of the Secretary of the Treasury prior to approv-
15 ing a proposed rule filed by a registered securities associa-
16 tion pursuant to section 15A(f)(2)(G), except where the
17 Commission determines that an emergency exists requir-
18 ing expeditious or summary action and publishes its rea-
19 sons therefor. If the Secretary of the Treasury comments
20 in writing to the Commission on a proposed rule that has
21 been published for comment, the Commission shall re-
22 spond in writing to such written comment before approv-
23 ing the proposed rule. The Commission may approve ~~such~~
24 a rule *under this paragraph* if the Secretary of the Treas-

1 ury has not determined that the rule, if implemented,
2 would, or as applied does—

3 “(A) adversely affect the liquidity or efficiency
4 of the market for government securities; or

5 “(B) impose any burden on competition not
6 necessary or appropriate in furtherance of the pur-
7 poses of this section.

8 “(6) In approving rules filed by a registered securities
9 association pursuant to section 15A(f)(2)(G), the Commis-
10 sion shall consider the sufficiency and appropriateness of
11 then existing laws and rules applicable to government se-
12 curities brokers, government securities dealers, and per-
13 sons associated with government securities brokers and
14 government securities dealers.”; and

15 (2) in subsection (c), by adding at the end the
16 following new paragraph:

17 “(5) With respect to rules adopted pursuant to sec-
18 tion 15A(f)(2)(G), the Commission shall consult with and
19 consider the views of the Secretary of the Treasury before
20 abrogating, adding to, and deleting from such rules, ex-
21 cept where the Commission determines that an emergency
22 exists requiring expeditious or summary action and pub-
23 lishes its reasons therefor.”.

1 **SEC. 5. DISCLOSURE BY GOVERNMENT SECURITIES BRO-**
2 **KERS AND GOVERNMENT SECURITIES DEAL-**
3 **ERS WHOSE ACCOUNTS ARE NOT INSURED BY**
4 **THE SECURITIES INVESTOR PROTECTION**
5 **CORPORATION.**

6 Section 15C(a) of the Securities Exchange Act of
7 1934 (15 U.S.C. 78o-5(a)) is amended—

8 (1) by redesignating paragraph (4) as para-
9 graph (5); and

10 (2) by inserting after paragraph (3) the follow-
11 ing:

12 “(4) No government securities broker or government
13 securities dealer that is not a member of the Securities
14 Investor Protection Corporation shall effect any trans-
15 action in any security in contravention of such rules as
16 the Commission shall prescribe pursuant to this subsection
17 to assure that its customers receive complete, accurate,
18 and timely disclosure of the inapplicability of Securities
19 Investor Protection Corporation coverage to their ac-
20 counts.”.

21 **SEC. 6. TECHNICAL AMENDMENT.**

22 Section 15C(d)(2) of the Securities Exchange Act of
23 1934 (15 U.S.C. 78o-5(d)(2)) is amended to read as
24 follows:

25 “(2) Information received by any appropriate regu-
26 latory agency or the Secretary from or with respect to any

1 government securities broker or government securities
 2 dealer or with respect to any person associated with a gov-
 3 ernment securities broker or a government securities deal-
 4 er may be made available by the Secretary or the recipient
 5 agency to the Commission, the Secretary, any appropriate
 6 regulatory agency, any self-regulatory organization, or any
 7 Federal Reserve bank.”.

8 **SEC. 7. AMENDMENTS TO DEFINITIONS.**

9 Section 3(a) of the Securities Exchange Act of 1934
 10 (15 U.S.C. 78c(a)) is amended—

11 (1) in paragraph (34)(G), by amending clauses
 12 (ii), (iii), and (iv) to read as follows:

13 “(ii) the Board of Governors of the
 14 Federal Reserve System, in the case of a
 15 State member bank of the Federal Reserve
 16 System, a foreign bank, an uninsured
 17 State branch or State agency of a foreign
 18 bank, a commercial lending company
 19 owned or controlled by a foreign bank (as
 20 such terms are used in the International
 21 Banking Act of 1978), or a corporation or-
 22 ganized or having an agreement with the
 23 Board of Governors of the Federal Reserve
 24 System pursuant to section 25 or section
 25 25(a) of the Federal Reserve Act;

1 “(iii) the Federal Deposit Insurance
2 Corporation, in the case of a bank insured
3 by the Federal Deposit Insurance Corpora-
4 tion (other than a member of the Federal
5 Reserve System or a Federal savings bank)
6 or an insured State branch of a foreign
7 bank (as such terms are used in the Inter-
8 national Banking Act of 1978);

9 “(iv) the Director of the Office of
10 Thrift Supervision, in the case of a savings
11 association (as defined in section 3(b) of
12 the Federal Deposit Insurance Act) the de-
13 posits of which are insured by the Federal
14 Deposit Insurance Corporation;” and

15 (2) by amending paragraph (46) to read as
16 follows:

17 “(46) The term ‘financial institution’ means—

18 “(A) a bank (as defined in paragraph (6));

19 “(B) a foreign bank (as such term is used
20 in the International Banking Act of 1978); and

21 “(C) a savings association (as defined in
22 section 3(b) of the Federal Deposit Insurance
23 Act) the deposits of which are insured by the
24 Federal Deposit Insurance Corporation.”.

1 **SEC. 8. STUDY RELATING TO GOVERNMENT SECURITIES IN-**
2 **FORMATION.**

3 (a) IN GENERAL.—The Secretary of the Treasury,
4 the Securities and Exchange Commission, and the Board
5 of Governors of the Federal Reserve System shall monitor
6 and evaluate the effectiveness of private sector efforts to
7 disseminate government securities price and volume infor-
8 mation, and determine whether such efforts—

9 (1) assure the prompt, accurate, reliable, and
10 fair reporting, collection, processing, distribution,
11 and publication of information with respect to
12 quotations for and transactions in government secu-
13 rities and the fairness and usefulness of the form
14 and content of such information;

15 (2) assure that all government securities infor-
16 mation processors may, for purposes of distribution
17 and publication, obtain on fair and reasonable terms
18 such information with respect to quotations for and
19 transactions in government securities as is reported,
20 collected, processed, or prepared for distribution or
21 publication by any processor of such information (in-
22 cluding self-regulatory organizations) acting in an
23 exclusive capacity; and

24 (3) assure that all government securities bro-
25 kers, government securities dealers, government se-
26 curities information processors, and other appro-

1 piate persons may obtain on terms which are not
2 unreasonably discriminatory such information with
3 respect to quotations for and transactions in govern-
4 ment securities as is published or distributed.

5 (b) REPORT.—A report describing any findings made
6 under this section and any recommendations for legisla-
7 tion shall be submitted to Congress not later than 18
8 months after the date of enactment of this Act.

9 **SEC. 9. OFFERINGS OF GOVERNMENT SECURITIES.**

10 Section 15(c) of the Securities Exchange Act of 1934
11 (15 U.S.C. 78o(c)) is amended by adding at the end the
12 following new paragraph:

13 “(7) In connection with any bid for or purchase of
14 a government security related to an offering of govern-
15 ment securities by or on behalf of an issuer, no govern-
16 ment securities broker, government securities dealer, or
17 bidder for or purchaser of securities in such offering shall
18 knowingly or willfully make any false or misleading writ-
19 ten statement or omit any fact necessary to make any
20 written statement made not misleading.”.